

Message Text

LIMITED OFFICIAL USE

PAGE 01 MANAGU 05154 051653Z

70

ACTION ARA-10

INFO OCT-01 ISO-00 AGRE-00 AID-05 EB-07 IO-13 USIA-06

COME-00 TRSE-00 CIAE-00 INR-07 NSAE-00 PA-01 PRS-01

FRB-03 LAB-04 SIL-01 /059 W

----- 113341

R 051458Z NOV 76

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 1526

LIMITED OFFICIAL USE MANAGUA 5154

E.O. 11652: N/A

TAGS: EAID, EFIN, IDB, NU

SUBJECT: PROPOSED IDB LOAN TO SPECIAL DEVELOPMENT FUND

1. WITH REGARD TO PROPOSED \$15. MILLION IDB LOAN TO GON'S FONDO ESPECIAL DE DESARROLLO (FED)--SPECIAL DEVELOPMENT FUND--TO FINANCE SMALL AND MEDIUM-SIZED RURAL AND AGROBUSINESS LOANS, EMBASSY OFFERS FOLLOWING OBSERVATIONS:

2. NICARAGUA INFLATION OVER THE FORESEEABLE FUTURE SHOULD NOT EXCEED FIVE TO TEN PERCENT ANNUALLY. THE CURRENT RATE FOR 1976, BASED ON CENTRAL BANK STATISTICS, IS LESS THAN FOUR PERCENT. IT MAY RISE TO FIVE OR SIX PERCENT IN 1977, DEPENDING ON WORLD INFLATION LEVELS. THE INFLATION RATE DURING 1975, A RECESSIONARY YEAR, WAS ABOUT SEVEN PERCENT. 1973 AND 1974 WERE INFLATIONARY YEARS OWING TO EARTHQUAKE RECONSTRUCTION, AVAILABILITY OF EASY CREDIT, AND OIL PRICE INCREASES, WITH INFLATION RATES OF 28 AND 17 PERCENT, RESPECTIVELY, ACCORDING TO OFFICIAL FIGURES.

3. THE CURRENT COMMERCIAL RATE CHARGED TO END-USE BORROWERS OF THE TYPE OF LOANS THE IDB CREDIT WOULD FINANCE IS THIRTEEN PERCENT, WITH NO COMMISSION CHARGES, ACCORDING TO LOCAL BANKING SOURCES. THE LARGEST PRIVATE COMMERCIAL BANK, BANCO DE AMERICA, ADVERTISED FOLLOWING ANNUAL INTEREST RATES ON FED LOANS AS OF NOVEMBER 1:
(A) TOURIST PROJECTS--10 PERCENT, UP TO 15 YEARS WITH 3 YEARS

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANAGU 05154 051653Z

GRACE.

(B) COFFEE PLANTATIONS--11PERCENT, UP TO 9 YEARS WITH 3 YEARS GRACE.

(C) PRE-INVESTMENT STUDIES--11PERCENT, UP TO 7 YEARS, WITH 1 AND
1/2 YEARS GRACE.

(D) SMALL ENTERPRISE--13 PERCENT, UP TO 10 YEARS WITH 3 YEARS
GRACE.

4. IT DOES NOT APPEAR THAT THE FED WOULD BE DECAPITALIZED IF IT
CHARGED INTEREST RATES OF 13 PERCENT. AN 8 PERCENT INTEREST RATE,
OF COURSE, COULD PROVE TOO LOW IF INFLATION RISES WJPUCH ABOVE 6
PERCENT.

THEBERGE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEVELOPMENT PROGRAMS, LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 NOV 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cahillha
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976MANAGU05154
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760414-0448
From: MANAGUA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761177/aaaacowf.tel
Line Count: 72
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: cahillha
Review Comment: n/a
Review Content Flags:
Review Date: 21 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 JUL 2004 by izenbei0>; APPROVED <02 NOV 2004 by cahillha>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROPOSED IDB LOAN TO SPECIAL DEVELOPMENT FUND
TAGS: EAID, EFIN, NU, IDB
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006